

**Build King Holdings Limited**

**利基控股有限公司\***

*(Formerly known as I-China Holdings Limited)*

*(Incorporated in Bermuda with limited liability)*

**Interim Report 2004**

*\* for identification purpose*

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## INTERIM RESULTS HIGHLIGHTS

The board of directors (the “Board”) of Build King Holdings Limited (the “Company”) announces the interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2004.

### CHANGE OF COMPANY NAME AND FINANCIAL YEAR END DATE

Following the restructuring in April 2004 the Group became the construction flagship of Wai Kee Holdings Limited (“Wai Kee”). As a result on 23rd July, 2004 the Company’s name was changed to Build King Holdings Limited to better reflect its new business direction.

In addition, the Company’s financial year end date was also changed from 31st March to 31st December to align with that of Wai Kee. As a result of the change in financial year end date, the current interim period covers the six-month period from 1st January, 2004 to 30th June, 2004.

### FINANCIAL PERFORMANCE HIGHLIGHTS

|   |                   |
|---|-------------------|
| Group turnover and share of turnover of jointly controlled entities | HK\$384.8 million |
| Profit attributable to shareholders                                 | HK\$28.5 million  |
| Basic earnings per Consolidated Share (#)                           | HK4.5 cents       |
| Net assets per Consolidated Share (#)                               | HK11.5 cents      |

# *With effect from 26th July, 2004, every ten shares of the Company were consolidated into one share (“Consolidated Share”). The basic earnings per share before the share consolidation was HK0.45 cents as set out in the condensed consolidated income statement.*

### INTERIM DIVIDEND

Apart from the dividend as mentioned in note 2 to the condensed financial statements, the Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2004.

## **BUSINESS REVIEW**

### **RESULTS**

For the six months ended 30th June, 2004, the Group reported a total of group turnover and share of turnover of jointly controlled entities of HK\$384 million, representing a decrease of 43% compared to HK\$678 million for the six months ended 30th June, 2003. As a result of finalization of several major contracts, the Group achieved a net profit of HK\$28 million, an increase of 140% compared to a net profit of HK\$12 million for the six months ended 30th June, 2003. Earnings per Consolidated Share was HK4.5 cents.

During the last three years the Hong Kong construction market has been adversely affected by the overall economic situation and the resulting cuts in both public and private capital expenditure. The competition for new infrastructure projects therefore has been intense and new work difficult to secure. The Group has been careful in bidding new projects in Hong Kong by selecting only those which it believes it can not only win but also execute profitably. On its current projects the Group has continued to adopt a strategy of high quality, cost effective work constructed on time and with a strong emphasis on site safety and environmental conformance. During the first half of the year this strategy has resulted in a continuous improvement in the Works Bureau Contractors Performance Index of all the Group subsidiaries. As tenders for Works Bureau projects are now evaluated not only on price but also on past performance (by taking account of the bidder's Index), the Group's chances of successful bidding will continue to be enhanced. In the private sector the Group has been successful in securing work and establishing a sound reputation with several private clients and quasi government organizations.

As a result of the market conditions in Hong Kong the Group has continued to search for ventures in China as well as elsewhere in the Middle East and in Taiwan. In China the Group has 2 existing projects and has been actively pursuing new work including environmental infrastructure projects. Taiwan is suffering from the same market conditions as Hong Kong and new work has been difficult to obtain in order to replace the 3 current projects. Contacts have been established in Dubai and some prospects in the Middle East have been identified which the Group will follow up.

During the first half of 2004 the Group were successful in securing a total of 8 new projects which together with its on-going projects has reflected a reasonably healthy position. As at the date of this Report the Group had contracts on hand of HK\$8,239 million of which about HK\$1,225 million represented outstanding work.

### **FUTURE PROSPECTS**

Despite the recovery of the Hong Kong property market and the revival of the tourism sector, the market conditions for the local construction industry are expected to remain sluggish in the second half of 2004. In particular, the change in the government housing policy and the continued lack of new investment in public infrastructure as well as in the private sector continue to put much pressure on our industry. As a result our business environment in Hong Kong is expected to continue to be very tough and highly competitive for at least the remainder of this year.

Notwithstanding the difficult market situation, the Group will continue to devote its efforts to maintain its market competitiveness by strict cost control and providing sound and effective project management in order to deliver quality cost effective service on all its projects. In addition, the Group will continue to adopt a prudent approach in tendering for new contracts and further strengthen its commercial management.

## **BUSINESS REVIEW**

### **FUTURE PROSPECTS** *(Continued)*

Looking ahead, the Group will continue to bid for public works projects of both the government and quasi-government authorities in Hong Kong. Since the Hong Kong government now awards construction contracts based not only on tender price but also on past performance, the Group is well placed to secure future Works Bureau projects. It will continue its strategy of good on-site performance in order to enhance its Index yet further.

In the private sector the Group will seek to continue to develop its services thereby enhancing its reputation with its existing clients and seeking further projects from them as well as increasing its opportunities for work with new clients.

With prospects in Hong Kong limited for the remainder of this year, the Group will continue to explore new business opportunities in the PRC, the Middle East and Taiwan focusing on both construction work and environmental infrastructure projects. With its good reputation and strong management the Group believes that these markets will provide opportunities for future growth thereby moving towards its long term objective of profitable growth.

In respect of the car rental business inherited from the former I-China Group, the results for the period were minimal. Management is now critically reviewing the market situation and future prospects of this business.

## FINANCIAL REVIEW

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2004, the Group had no borrowings (as at 31st December, 2003: HK\$20 million) and bank balances and cash amounted to HK\$51 million (as at 31st December, 2003: HK\$71 million).

With an objective to enhance the return on cash, the company had invested for the short term in a portfolio of listed securities. These investments amounted to HK\$27 million as at 30th June, 2004.

Due to the low level of bank borrowings during the period, the Group's net finance costs for the six months ended 30th June, 2004 were kept to a minimal level below HK\$200,000.

The Group's borrowings and cash balances were principally denominated in Hong Kong dollars. Hence there is no exposure to foreign exchange rate fluctuations. During the period, the Group had no borrowings at fixed interest rate and had no financial instruments for hedging purposes.

### CAPITAL STRUCTURE AND GEARING RATIO

As a result of the restructuring, the shareholders' fund was substantially improved from a deficit of HK\$729 million as at 31st March, 2004 to a positive figure of HK\$89 million as at 30th June, 2004. The gearing ratio was zero as the Group had no outstanding borrowings as at 30th June, 2004.

### PLEDGE OF ASSETS

As at 30th June, 2004, Group's bank deposits amounting to HK\$29 million (31st December, 2003: HK\$54 million) were pledged to secure the banking facilities granted to the Group and a jointly controlled entity.

### CONTINGENT LIABILITIES

As at 30th June, 2004, the Group had contingent liabilities set out as follows:—

|   | <b>30th June, 2004</b><br><i>HK\$ million</i> | 31st December, 2003<br><i>HK\$ million</i> |
|---|---|--|
| Guarantee given to a bank in respect of banking facilities granted to an associate  | <u>35</u>                                     | <u>285</u>                                 |
| Outstanding tender/performance/retention bonds in respect of construction contracts | <u>146</u>                                    | <u>209</u>                                 |

## DISCLOSURE OF INTERESTS

### DIRECTORS' INTERESTS

As at 30th June, 2004, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

#### (I) The Company

| Name of Director   | Capacity/<br>Nature of<br>Interest | Number of shares held          |                | Percentage of<br>shareholding<br>(%) |
|--------------------|------------------------------------|--------------------------------|----------------|--------------------------------------|
|                    |                                    | Long Position                  | Short Position |                                      |
| Zen Wei Peu, Derek | Personal                           | 697,154,218<br><i>(Note 1)</i> | —              | 8.92                                 |
| Yu Sai Yen         | Personal                           | 166,660,000<br><i>(Note 2)</i> | —              | 2.13                                 |

#### Notes:

1. The number of shares taken to be interested or have a long position by Mr. Zen Wei Peu, Derek includes (i) 497,154,218 ordinary shares of HK\$0.01 each in the capital of the Company and (ii) the purchasing right granted to him to purchase 200,000,000 ordinary shares of HK\$0.01 each in the capital of the Company pursuant to the Staff Share Purchasing Scheme adopted by Wai Kee, the ultimate holding company of the Company on 15th March, 2004.
2. The number of shares taken to be interested or have a long position by Mr. Yu Sai Yen is the purchasing right granted to him to purchase 166,660,000 ordinary shares of HK\$0.01 each in the capital of the Company pursuant to the Staff Share Purchasing Scheme adopted by Wai Kee on 15th March, 2004.

**DISCLOSURE OF INTERESTS****(II) Associated Corporation**

| Name of Director   | Name of Company  | Capacity/<br>Nature of<br>Interest | Number of shares held   |                   | Percentage of<br>shareholding<br>(%) |
|--------------------|--|------------------------------------|-------------------------|-------------------|--------------------------------------|
|                    |  |                                    | Long<br>Position        | Short<br>Position |                                      |
| Zen Wei Peu, Derek | Wai Kee  | Personal                           | 185,057,078<br>(Note 1) | —                 | 23.34                                |
|                    | Wai Kee (Zens)<br>Construction &<br>Transportation<br>Company<br>Limited | Personal                           | 2,000,000<br>(Note 2)   | —                 | 10.00                                |
|                    | Wai Luen Stone<br>Products<br>Limited                                    | Personal                           | 30,000<br>(Note 3)      | —                 | 37.50                                |

*Notes:*

1. The number of shares taken to be interested or have a long position by Mr. Zen Wei Peu, Derek is 185,057,078 ordinary shares of HK\$0.10 each in the capital of Wai Kee.
2. The number of shares taken to be interested or have a long position by Mr. Zen Wei Peu, Derek is 2,000,000 non-voting deferred shares of HK\$1.00 each in the capital of Wai Kee (Zens) Construction & Transportation Company Limited, a wholly owned subsidiary of the Company.
3. The number of shares taken to be interested or have a long position by Mr. Zen Wei Peu, Derek is 30,000 non-voting deferred shares of HK\$10.00 each in the capital of Wai Luen Stone Products Limited, a wholly owned subsidiary of Wai Kee.

Save as disclosed above, none of the Directors or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) as recorded in the register to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.



## DISCLOSURE OF INTERESTS

### SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30th June, 2004, so far as is known to any Director of the Company, the following persons (other than directors of the Company), who have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

| Name of shareholder  | Capacity/Nature of Interest | Long position                    | Number of shares held in the Company and percentage of shareholding |                           |       |
|--|-----------------------------|----------------------------------|---|---------------------------|-------|
|  |                             |                                  | %   | Short position            | %     |
| Top Horizon Holdings Limited<br>("Top Horizon") (Note 1(a))      | Personal/<br>Beneficiary    | 5,908,212,705<br>(Notes 1 and 2) | 75.61   | 1,059,160,000<br>(Note 3) | 13.55 |
| Wai Kee (Zens) Holding Limited ("Wai Kee (Zens)")<br>(Note 1(b)) | Corporate                   | 5,908,212,705<br>(Notes 1 and 2) | 75.61   | 1,059,160,000<br>(Note 3) | 13.55 |
| Wai Kee (Note 1(c))  | Corporate                   | 5,908,212,705<br>(Notes 1 and 2) | 75.61   | 1,059,160,000<br>(Note 3) | 13.55 |
| Vast Earn Group Limited<br>(Note 1(d))                           | Personal/<br>Beneficiary    | 598,830,400<br>(Note 1)          | 7.66  | —                         | —     |
| NWS Service Management Limited (Note 1(e))                       | Corporate                   | 598,830,400<br>(Note 1)          | 7.66  | —                         | —     |
| NWS Service Management Limited (Note 1(f))                       | Corporate                   | 598,830,400<br>(Note 1)          | 7.66  | —                         | —     |
| NWS Holdings Limited<br>(Note 1(g))                              | Corporate                   | 598,830,400<br>(Note 1)          | 7.66  | —                         | —     |
| New World Development Company Limited (Note 1(h))                | Corporate                   | 598,830,400<br>(Note 1)          | 7.66  | —                         | —     |
| Chow Tai Fook Enterprises Limited (Note 1(i))                    | Corporate                   | 598,830,400<br>(Note 1)          | 7.66  | —                         | —     |

## DISCLOSURE OF INTERESTS

*Notes:*

1. Long position in the ordinary shares of HK\$0.01 each in the share capital of the Company (the “Shares”)
  - (a) Top Horizon is a direct wholly owned subsidiary of Wai Kee (Zens).
  - (b) Wai Kee (Zens) is deemed to be interested in the Shares of the Company through its interests in Top Horizon.
  - (c) Wai Kee (Zens) is a direct wholly owned subsidiary of Wai Kee. Accordingly, Wai Kee is deemed to be interested in the Shares of the Company through its interests in its wholly owned subsidiaries, namely, Wai Kee (Zens) and Top Horizon.
  - (d) Vast Earn Group Limited is a wholly owned subsidiary of NWS Service Management Limited (incorporated in the British Virgin Islands).
  - (e) NWS Service Management Limited (incorporated in the British Virgin Islands) is deemed to be interested in the Shares through its interests in its wholly owned subsidiary, namely Vast Earn Group Limited.
  - (f) NWS Service Management Limited (incorporated in the Cayman Islands) is deemed to be interested in the Shares through its interests in its wholly owned subsidiary, namely NWS Service Management Limited (incorporated in the British Virgin Islands).
  - (g) NWS Holdings Limited is deemed to be interested in the Shares through its interests in its wholly owned subsidiaries, namely NWS Service Management Limited (incorporated in the Cayman Islands), NWS Service Management Limited (incorporated in the British Virgin Islands) and Vast Earn Group Limited.
  - (h) New World Development Company Limited is deemed to be interested in the Shares through its interests in more than one-third of the issued share capital of NWS Holdings Limited.
  - (i) Chow Tai Fook Enterprises Limited is deemed to be interested in the Shares through its interests in more than one-third of the issued share capital of New World Development Company Limited.
2. The number of shares taken to be interested or to have a long position by Top Horizon, Wai Kee (Zens) and Wai Kee includes (i) 4,208,212,705 Shares; (ii) derivative of 1,500,000,000 convertible preference shares in the capital of the Company, which can be convertible into 1,500,000,000 Shares pursuant to the terms of issue of convertible preference shares; and (iii) a creditors put option whereby the Creditors of the Company and/or the Scheme Administrators may, at their sole discretion, sell all or part of 200,000,000 Shares to Wai Kee at a price of HK\$0.01 per Share exercisable within 90 days after the expiry of 2 years following the completion of the Scheme of Arrangement.
3. The number of shares taken to be interested or to have a short position by Top Horizon, Wai Kee (Zens) and Wai Kee is 1,059,160,000 Shares. Pursuant to the Staff Share Purchasing Scheme (the “Scheme”) adopted by Wai Kee on 15th March, 2004, purchase rights for the acquisition of an aggregate of 1,059,160,000 Shares have been granted to eligible participants as defined in the Scheme.

## OTHER INFORMATION

### DISCLOSURE PURSUANT TO RULES 13.16 AND 13.22 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE (“THE LISTING RULES”)

- (1) As at 30th June, 2004, financial assistance to and guarantees given for the benefit of the Company’s affiliated companies by the Group together amounted in aggregate to approximately HK\$89,691,000 representing approximately 24.2% of the Group’s total assets of HK\$370,356,000 (being the Group’s total assets of HK\$392,406,000 as at 30th June, 2004, adjusted for the aggregate of distribution declared prior to the group restructuring as set out in note 2 to the condensed financial statements and preference share dividend for the period ended 30th June 2004 amounting to approximately HK\$22,050,000 pursuant to Rule 14.16(1) of the Listing Rules) and approximately 68.3% of the Company’s market capitalization of approximately HK\$131,276,627 as at 30th June, 2004 (the “Market Capitalisation”). The Market Capitalisation was based on the total number of 7,814,084,941 ordinary shares of the Company in issue as at 30th June, 2004 and the average closing price of HK\$0.0168 per share as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding 30th June, 2004.
- (2) Details of the financial assistance to and guarantees given for the benefit of the Company’s affiliated companies as at 30th June, 2004 are as follows:

| Affiliated Companies                                     | Attributable interest held by the Group | Guarantees given for facilities utilized by affiliated companies | Loans granted to affiliated companies | Total  | Annual interest rate on loans | Loans maturity date | Loans collateral |
|--|---|--|---------------------------------------|--------|-------------------------------|---------------------|------------------|
|  |   | (Note)<br>HK\$’000   | HK’000                                |        |                               |                     |                  |
| Barclay Mowlem — Zen Pacific Joint Venture               | 40%                                     | —  | 23                                    | 23     | interest free                 | on demand           | unsecured        |
| Barclay Mowlem — Zen Pacific — China Civil Joint Venture | 35%                                     | —  | 17                                    | 17     | interest free                 | on demand           | unsecured        |
| Dragages (HK) Joint Venture                              | 14%                                     | —  | 1,890                                 | 1,890  | interest free                 | on demand           | unsecured        |
| Dragages — Zen Pacific Joint Venture                     | 25%                                     | —  | 108                                   | 108    | interest free                 | on demand           | unsecured        |
| Hong Kong Landfill Restoration Group Limited             | 23%                                     | —  | 490                                   | 490    | interest free                 | on demand           | unsecured        |
| Kier Hong Kong Limited                                   | 49.5%                                   | 35,000   | 20,000                                | 55,000 | HK\$ prime                    | 27 April 2006       | unsecured        |
| Kier/Zen Pacific Joint Venture                           | 50%                                     | 31,072   | 3                                     | 31,075 | interest free                 | on demand           | unsecured        |
| Kong On Waste Management Limited                         | 50%                                     | —  | 248                                   | 248    | interest free                 | on demand           | unsecured        |
| Zen-Pacific — Shui On Joint Venture (C518)               | 50%                                     | —  | 840                                   | 840    | interest free                 | on demand           | unsecured        |
|  |   | 66,072   | 23,619                                | 89,691 |                               |                     |                  |

**OTHER INFORMATION**

*Note:* The guarantees given represent the relevant amount of guarantees provided by the Group to secure bank facilities and a retention bond issued by a financial institution on behalf of the respective affiliated companies.

There is no committed capital injection to the affiliated companies by the Group and the advances made were funded by internal resources.

- (3) The proforma combined balance sheet of the Company's aforesaid affiliated companies as at 30th June, 2004, which were prepared based on their adjusted financial statements prepared in accordance with the accounting principles generally accepted in Hong Kong for the period ended 30th June, 2004, is as follows:

|                         | <i>HK\$'000</i>       |
|-------------------------|-----------------------|
| Non-current assets      | 213,164               |
| Current assets          | 1,964,479             |
| Current liabilities     | (1,571,835)           |
| Non-current liabilities | <u>(20,000)</u>       |
| Net assets              | <u><u>585,808</u></u> |

Save as disclosed above, the Company does not have other disclosure obligations under Rules 13.16 and 13.22 of the Listing Rules.

**DISCLOSURE PURSUANT TO RULES 13.13, 13.15 AND 13.20 OF THE LISTING RULES**

As at 30th June, 2004, trade receivables from Hong Kong Special Administrative Region Government (the "Trade Receivables"), which are unsecured, interest-free and with credit terms of approximately 60 days upon certification and approximately one year after completion of projects resulted from the ordinary and normal course of business of the Group, amounted to approximately HK\$25.64 million representing approximately 19.53% of the Company's Market Capitalisation as at 30th June, 2004.

Save as disclosed above, the Company does not have other disclosure obligations under Rules 13.13, 13.15 and 13.20 of the Listing Rules.

**DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES**

The Company was granted a term loan facility of HK\$40,000,000 (the "Facility") pursuant to a facility letter from an independent bank dated 22nd July, 2004. The Company accepted the terms of the facility letter on 3rd August, 2004. The full sum of the Facility will be repaid by six half-yearly instalments commencing eighteen months after the date of drawdown of the Facility.

For so long as the Facility is made available to the Company, Wai Kee and Mr. Zen Wei Peu, Derek ("Mr. Zen"), are required to undertake to maintain their joint shareholding in the Company at not less than 50% of the total issued share capital of the Company. Wai Kee is the controlling shareholder of the Company. Mr. Zen is a director of the Company. Accordingly, this disclosure is made pursuant to Rules 13.18 and 13.21 of the Listing Rules.

Save as disclosed above, the Company does not have other disclosed obligations under Rule 13.18 and 13.21 of the Listing Rules.

## **OTHER INFORMATION**

### **EMPLOYEES AND REMUNERATION POLICY**

As at 30th June 2004, the Group had a total of approximately 475 employees (2003: 438), of which 445 were in Hong Kong, 19 were in the PRC and 11 were in Taiwan.

Competitive remuneration packages are structured to commensurate with individual responsibilities, qualifications, experience and performance.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Apart from the issue of new shares as set out in note 2 to the condensed financial statements, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2004.

### **AUDIT COMMITTEE**

The Audit Committee has reviewed with management and external auditors the accounting principles and policies adopted by the Group and the unaudited interim financial reports for the six months ended 30th June, 2004.

### **CODE OF BEST PRACTICE**

Subsequent to the restructuring, the Company has complied throughout the period from 23rd April, 2004 to 30th June, 2004 with the Code of Best Practice (the "Code") as set out in Appendix 14 to the Listing Rules, save that the non-executive directors of the Company have not been appointed for specific term of office but are subject to retirement by rotation in accordance with the Bye-laws of the Company.

By Order of the Board  
**Zen Wei Peu, Derek**  
*Chairman*

Hong Kong, 9th August, 2004

# Deloitte.

## 德勤

**INDEPENDENT REVIEW REPORT  
TO THE DIRECTORS OF BUILD KING HOLDINGS LIMITED  
(FORMERLY I-CHINA HOLDINGS LIMITED)  
(Incorporated in Bermuda with limited liability)**

### **INTRODUCTION**

We have been instructed by the Company to review the interim financial report set out on pages 14 to 29.

### **DIRECTORS' RESPONSIBILITIES**

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **REVIEW WORK PERFORMED**

We conducted our review in accordance with Statement of Auditing Standards No. 700 ("SAS 700") "Engagements to Review Interim Financial Reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

### **REVIEW CONCLUSION**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30th June, 2004.

Without modifying our review conclusion, we draw to your attention that the comparative condensed income statement, the comparative condensed cash flow statement and statement of changes in equity for the six months ended 30th June, 2003 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
9th August, 2004

## CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30th June, 2004*

|   |   | 1.1.2004<br>to<br>30.6.2004<br><i>HK\$'000</i><br><i>(Unaudited)</i><br><i>(Note 2)</i> | 1.1.2003<br>to<br>30.6.2003<br><i>HK\$'000</i><br><i>(Unaudited)</i><br><i>(Note 2)</i> |
|---|---|---|---|
| Group turnover and share of turnover of jointly controlled entities |   | <b>384,792</b>  | 678,950   |
| <i>Less:</i> Share of turnover of jointly controlled entities       |   | <b>181,576</b>  | 286,502   |
| <b>Group turnover</b>   | 4 | <b>203,216</b>  | 392,448   |
| Cost of sales   |   | <b>(207,268)</b>  | (365,620)   |
| Gross (loss) profit   |   | <b>(4,052)</b>  | 26,828  |
| Other operating income  |   | <b>1,656</b>  | 2,105   |
| Administrative expenses   |   | <b>(28,930)</b>   | (45,465)  |
| Share of results of jointly controlled entities                     |   | <b>78,883</b>   | 42,583  |
| Profit from operations  | 5 | <b>47,557</b>   | 26,051  |
| Finance costs   | 6 | <b>(146)</b>  | (1,313)   |
| Share of results of associates                                      |   | <b>763</b>  | 797   |
| Amortisation of goodwill of an associate                            |   | <b>(265)</b>  | —   |
| Profit before taxation  |   | <b>47,909</b>   | 25,535  |
| Taxation  | 7 | <b>(15,907)</b>   | (6,166)   |
| Profit before minority interests                                    |   | <b>32,002</b>   | 19,369  |
| Minority interests  |   | <b>(3,478)</b>  | (7,544)   |
| Profit for the period   |   | <b>28,524</b>   | 11,825  |
| Dividends   |   |   |   |
| Distribution prior to the group restructuring as set out in note 2  |   | <b>22,000</b>   | —   |
| To the holders of 2% convertible preference shares                  |   | <b>50</b>   | —   |
|   |   | <i>HK cents</i>   | <i>HK cents</i>   |
| Earnings per share  | 8 |   |   |
| — Basic   |   | <b>0.45</b>   | 0.20  |
| — Diluted   |   | <b>0.43</b>   | N/A   |

**CONDENSED CONSOLIDATED BALANCE SHEET**

At 30th June, 2004

|  | <i>Notes</i> | <b>30.6.2004</b><br><b>HK\$'000</b><br><b>(Unaudited)</b><br><b>(Note 2)</b> | 31.12.2003<br><b>HK\$'000</b><br><b>(Unaudited)</b><br><b>(Note 2)</b> |
|--|--------------|--|--|
| <b>Non-current assets</b>                                      |              |  |  |
| Property, plant and equipment                                  | 9            | 21,885   | 25,082   |
| Goodwill   | 10           | 31,620   | —  |
| Interests in associates  |              | 4,129  | 3,631  |
| Interests in joint ventures                                    |              | 103,837  | 45,736   |
| Investments in securities                                      | 11           | 28,302   | 36,924   |
|  |              | <u>189,773</u>   | <u>111,373</u>   |
| <b>Current assets</b>  |              |  |  |
| Amount due from customers for contract work                    |              | 29,037   | 43,099   |
| Debtors, deposits and prepayments                              | 12           | 72,577   | 159,771  |
| Amount due from immediate holding company                      |              | —  | 3,490  |
| Amount due from a fellow subsidiary                            |              | 370  | 6,393  |
| Amounts due from associates                                    |              | 13,001   | 12,363   |
| Amounts due from jointly controlled entities                   |              | 2,882  | 10,561   |
| Investments in securities                                      | 11           | 27,260   | —  |
| Tax recoverable  |              | 5,518  | 2,820  |
| Bank deposits pledged  | 16           | 29,544   | 54,494   |
| Bank balances and cash   |              | 22,444   | 17,360   |
|  |              | <u>202,633</u>   | <u>310,351</u>   |
| <b>Current liabilities</b>                                     |              |  |  |
| Amount due to customers for contract work                      |              | 3,087  | 18,844   |
| Creditors and accrued charges                                  | 13           | 102,147  | 166,306  |
| Other payable  |              | 70,000   | 70,000   |
| Amount due to an intermediate holding company                  |              | 1,604  | —  |
| Amount due to immediate holding company                        |              | —  | 1,003  |
| Amounts due to fellow subsidiaries                             |              | 221  | 221  |
| Amounts due to jointly controlled entities                     |              | 22,657   | 14,202   |
| Amounts due to minority shareholders                           |              | 2,794  | 2,794  |
| Preference share dividend payable to immediate holding company |              | 50   | —  |
| Taxation   |              | 5,467  | 8,511  |
| Bank loans — due within one year                               |              | —  | 16,000   |
| Bank overdrafts, secured                                       |              | —  | 4,137  |
|  |              | <u>208,027</u>   | <u>302,018</u>   |
| <b>Net current (liabilities) assets</b>                        |              | <u>(5,394)</u>   | <u>8,333</u>   |
| <b>Total assets less current liabilities</b>                   |              | <u>184,379</u>   | <u>119,706</u>   |



## CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2004

|   | <i>Notes</i> | <b>30.6.2004</b>          | 31.12.2003                |
|---|--------------|---------------------------|---------------------------|
|   |              | <b><i>HK\$'000</i></b>    | <b><i>HK\$'000</i></b>    |
|   |              | <b><i>(Unaudited)</i></b> | <b><i>(Unaudited)</i></b> |
|   |              | <b><i>(Note 2)</i></b>    | <b><i>(Note 2)</i></b>    |
| <b>Minority interests</b>   |              | <b>3,541</b>              | (317)                     |
|   |              | <hr/>                     | <hr/>                     |
| <b>Non-current liabilities</b>  |              |                           |                           |
| Amounts due to associates   |              | <b>33,159</b>             | 33,159                    |
| Amounts due to jointly controlled entities                            |              | <b>36,070</b>             | 23,070                    |
| Ordinary share dividend payable to<br>an intermediate holding company |              | <b>22,000</b>             | —                         |
|   |              | <hr/>                     | <hr/>                     |
|   |              | <b>91,229</b>             | 56,229                    |
|   |              | <hr/>                     | <hr/>                     |
|   |              | <b>89,609</b>             | 63,794                    |
|   |              | <hr/> <hr/>               | <hr/> <hr/>               |
| <b>Capital and reserves</b>   |              |                           |                           |
| Ordinary share capital  | <i>14</i>    | <b>78,141</b>             | 7,808                     |
| Preference share capital  | <i>15</i>    | <b>15,000</b>             | —                         |
| Reserves  |              | <b>(3,532)</b>            | 55,986                    |
|   |              | <hr/>                     | <hr/>                     |
|   |              | <b>89,609</b>             | 63,794                    |
|   |              | <hr/> <hr/>               | <hr/> <hr/>               |

**CONDENSED STATEMENTS OF CHANGES IN EQUITY**

For the six months ended 30th June, 2004

|   | Ordinary<br>share<br>capital<br>HK\$'000<br>(Note 2) | Preference<br>share<br>capital<br>HK\$'000<br>(Note 2) | Translation<br>reserve<br>HK\$'000<br>(Note 2) | Special<br>reserve<br>HK\$'000<br>(Note 2) | Retained<br>profits<br>HK\$'000<br>(Note 2) | Total<br>HK\$'000<br>(Note 2) |
|---|--|--|--|--|---|-------------------------------|
| At 1st January, 2003  | 7,808  | —  | 2,705  | —  | 30,045                                      | 40,558                        |
| Profit for the period   | —  | —  | —  | —  | 11,825                                      | 11,825                        |
| At 30th June, 2003  | <u>7,808</u>   | <u>—</u>   | <u>2,705</u>                                   | <u>—</u>                                   | <u>41,870</u>                               | <u>52,383</u>                 |
| At 1st January, 2004  | 7,808  | —  | 1,548  | —  | 54,438                                      | 63,794                        |
| Issue of preference shares  | —  | 30,000   | —  | —  | —   | 30,000                        |
| Paid-in capital eliminated<br>on reverse acquisition of<br>the Company  | (7,808)  | —  | —  | —  | —   | (7,808)                       |
| Adjustment in share capital<br>on reverse acquisition of<br>the Company (note 14(b))  | 63,141   | —  | —  | (63,141)                                   | —   | —                             |
| Conversion of preference<br>shares during the period<br>(note 14(c))  | 15,000   | (15,000)   | —  | —  | —   | —                             |
| Exchange difference arising<br>on translation of the<br>financial statements of<br>overseas operations not<br>recognised in the<br>condensed consolidated<br>income statement | —  | —  | (2,851)  | —  | —   | (2,851)                       |
| Profit for the period   | —  | —  | —  | —  | 28,524                                      | 28,524                        |
| Dividends   | —  | —  | —  | —  | (22,050)                                    | (22,050)                      |
| At 30th June, 2004  | <u>78,141</u>  | <u>15,000</u>  | <u>(1,303)</u>                                 | <u>(63,141)</u>                            | <u>60,912</u>                               | <u>89,609</u>                 |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2004

|  | <b>1.1.2004</b>    | 1.1.2003    |
|--|--------------------|-------------|
|  | <b>to</b>          | to          |
|  | <b>30.6.2004</b>   | 30.6.2003   |
|  | <b>HK\$'000</b>    | HK\$'000    |
|  | <b>(Unaudited)</b> | (Unaudited) |
|  | <b>(Note 2)</b>    | (Note 2)    |
| Net cash (used in) generated from operating activities       | <b>(19,857)</b>    | 10,763      |
| Net cash generated from (used in) investing activities       | <b>24,371</b>      | (8,030)     |
| Net cash generated from financing activities                 | <b>4,707</b>       | 19,505      |
| Increase in cash and cash equivalents                        | <b>9,221</b>       | 22,238      |
| Cash and cash equivalents at beginning of the period         | <b>13,223</b>      | 29,290      |
| Cash and cash equivalents at end of the period               | <b>22,444</b>      | 51,528      |
| <b>Analysis of the balances of cash and cash equivalents</b> |                    |             |
| Bank balances and cash                                       | <b>22,444</b>      | 61,498      |
| Bank overdrafts  | <b>—</b>           | (9,970)     |
|  | <b>22,444</b>      | 51,528      |

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th June, 2004

### 1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The directors consider Wai Kee Holdings Limited (“Wai Kee”), also incorporated in Bermuda as an exempted company with limited liability and its share being listed on the Stock Exchange, to be the Company’s ultimate holding company.

### 2. BASIS OF PREPARATION

On 23rd April, 2004, the Company issued 5,987,000,000 ordinary shares of HK\$0.01 each and 3,000,000,000 convertible preference shares of HK\$0.01 each to Top Horizon Holdings Limited (“Top Horizon”), which is a wholly owned subsidiary of Wai Kee, at a total consideration of HK\$89,870,000. The consideration was satisfied by cash of HK\$29,870,000 and by injection of Top Tactic Holdings Limited (“Top Tactic”) and its subsidiaries (collectively “Top Tactic Group”) valued at HK\$60,000,000. Top Tactic was a then wholly-owned subsidiary of Top Horizon.

The Company obtains ownership of Top Tactic by the issuance of the voting shares as consideration and has resulted the control of the combined enterprise being transferred to Top Horizon. Under generally accepted accounting principles in Hong Kong, the transactions were accounted for as a reverse acquisition. Top Tactic was treated as the acquirer and the Company and its subsidiaries immediately before the issue of the voting shares (the “Former I-China Group”) were deemed to have been acquired by Top Tactic.

Top Tactic applied the acquisition method to account for the acquisition of the Former I-China Group. In applying the acquisition method, the identifiable assets and liabilities of the Former I-China Group were recorded on the balance sheet of the combined enterprise at their fair values at 23rd April, 2004. Goodwill arising on acquisition was determined as the excess of the purchase consideration deemed to be incurred by Top Tactic over the fair value of the separable assets and liabilities of the Former I-China Group at 23rd April, 2004. The purchase consideration deemed to be paid by Top Tactic was the fair value of Top Tactic at 23rd April, 2004 amounted to HK\$2,115,000 given up to the shareholders of the Company immediately before the issue of the voting shares and the net liabilities of the Former I-China Group at the same date were HK\$29,860,000. The assets and liabilities of Top Tactic Group were recorded in the balance sheet of the combined enterprise at their historic carrying values on the books of Top Tactic Group.

A dividend was declared by Top Tactic prior to completion of restructuring as (“Completion”) but the payment of which will not be made until 12 months after the Completion and unless the Directors of the Company when deciding to make the payment of such dividend, have consulted their financial advisers and be satisfied that the Group will remain solvent for at least 12 months after such payment. “Solvent” means that the Group will have a positive net asset value at the time of and after paying the dividend, and will be able to meet payments and debts in full as they fall due notwithstanding the payment of the dividend.

### 3. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of investments in securities classified under current assets.

The accounting policies adopted are consistent with those followed in the preparation of the accountants’ report of Top Tactic for the two years ended 31st March, 2002, the nine months ended 31st December, 2002 and the ten months ended 31st October, 2003 as set out in Appendix II to the Company’s circular to the shareholders dated 24th February, 2004.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30th June, 2004*

### 4. SEGMENTAL INFORMATION

#### (a) Business segments

The Group is mainly engaged in civil engineering work. Accordingly no business segment analysis of financial information is provided.

#### (b) Geographical segments

The Group's civil construction business is principally located in Hong Kong and Taiwan. The Group reports its segment information based on the geographical location of its customers and the segment information about these geographical markets is presented below:

|   | Hong Kong<br><i>HK\$'000</i> | Taiwan<br><i>HK\$'000</i> | Other<br>regions in<br>the People's<br>Republic<br>of China<br>(the "PRC")<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|------------------------------|---------------------------|---|--------------------------|
| <b>Six months ended 30th June, 2004</b>                                     |                              |                           |   |                          |
| <b>Results</b>  |                              |                           |   |                          |
| Segment turnover  | 178,015                      | 25,201                    | —   | 203,216                  |
| Share of turnover of jointly<br>controlled entities                         | <u>156,529</u>               | <u>23,267</u>             | <u>1,780</u>  | <u>181,576</u>           |
| Segment turnover and share<br>of turnover of jointly<br>controlled entities | <u><u>334,544</u></u>        | <u><u>48,468</u></u>      | <u><u>1,780</u></u>   | <u><u>384,792</u></u>    |
| Segment results   | (30,712)                     | 761                       | (1,375)   | (31,326)                 |
| Share of results of jointly<br>controlled entities                          | <u>75,566</u>                | <u>3,317</u>              | <u>—</u>  | <u>78,883</u>            |
| Profit (loss) from operations   | <u><u>44,854</u></u>         | <u><u>4,078</u></u>       | <u><u>(1,375)</u></u>   | <u>47,557</u>            |
| Finance costs   |                              |                           |   | (146)                    |
| Share of results of associates<br>less amortisation of goodwill             | <u>498</u>                   | <u>—</u>                  | <u>—</u>  | <u>498</u>               |
| Profit before taxation  |                              |                           |   | 47,909                   |
| Taxation  |                              |                           |   | <u>(15,907)</u>          |
| Profit before minority interests  |                              |                           |   | 32,002                   |
| Minority interests  |                              |                           |   | <u>(3,478)</u>           |
| Profit for the period   |                              |                           |   | <u><u>28,524</u></u>     |

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

For the six months ended 30th June, 2004

**4. SEGMENTAL INFORMATION (Continued)****(b) Geographical segments (Continued)**

|   | Hong Kong<br>HK\$'000 | Taiwan<br>HK\$'000 | Other regions<br>in the PRC<br>HK\$'000 | Total<br>HK\$'000 |
|---|-----------------------|--------------------|---|-------------------|
| Six months ended 30th June, 2003  |                       |                    |   |                   |
| Results   |                       |                    |   |                   |
| Segment turnover  | 353,977               | 38,471             | —                                       | 392,448           |
| Share of turnover of jointly<br>controlled entities                         | <u>275,499</u>        | <u>11,003</u>      | <u>—</u>                                | <u>286,502</u>    |
| Segment turnover and share<br>of turnover of jointly<br>controlled entities | <u>629,476</u>        | <u>49,474</u>      | <u>—</u>                                | <u>678,950</u>    |
| Segment results   | 6,237                 | (22,420)           | (349)                                   | (16,532)          |
| Share of results of jointly<br>controlled entities                          | <u>44,128</u>         | <u>—</u>           | <u>(1,545)</u>                          | <u>42,583</u>     |
| Profit (loss) from operations   | <u>50,365</u>         | <u>(22,420)</u>    | <u>(1,894)</u>                          | 26,051            |
| Finance costs   |                       |                    |   | (1,313)           |
| Share of results of associates  | <u>797</u>            | <u>—</u>           | <u>—</u>                                | <u>797</u>        |
| Profit before taxation  |                       |                    |   | 25,535            |
| Taxation  |                       |                    |   | <u>(6,166)</u>    |
| Profit before minority interests  |                       |                    |   | 19,369            |
| Minority interests  |                       |                    |   | <u>(7,544)</u>    |
| Profit for the period   |                       |                    |   | <u>11,825</u>     |

**5. PROFIT FROM OPERATIONS**

|  | Six months ended<br>30th June, |                  |
|--|--------------------------------|------------------|
|  | 2004<br>HK\$'000               | 2003<br>HK\$'000 |
| Profit from operations has been arrived at after charging:   |                                |                  |
| Depreciation   | 1,656                          | 3,882            |
| Less: Amount attributable to construction contracts          | <u>(885)</u>                   | <u>(1,358)</u>   |
|  | 771                            | 2,524            |
| Amortisation of goodwill included in administrative expenses | <u>355</u>                     | <u>—</u>         |

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30th June, 2004*

### 6. FINANCE COST

|  | <b>Six months ended</b> |                 |
|--|-------------------------|-----------------|
|  | <b>30th June,</b>       |                 |
|  | <b>2004</b>             | 2003            |
|  | <b><i>HK\$'000</i></b>  | <i>HK\$'000</i> |
| Interest on:                                       |                         |                 |
| Bank borrowings wholly repayable within five years | <b>146</b>              | 658             |
| Amount due from ultimate holding company           | <b>—</b>                | 655             |
|  | <b><u>146</u></b>       | <u>1,313</u>    |

### 7. TAXATION

|  | <b>Six months ended</b> |                 |
|--|-------------------------|-----------------|
|  | <b>30th June,</b>       |                 |
|  | <b>2004</b>             | 2003            |
|  | <b><i>HK\$'000</i></b>  | <i>HK\$'000</i> |
| Provision for the period                               |                         |                 |
| Hong Kong  | <b>413</b>              | 9,169           |
| Other jurisdictions                                    | <b>5</b>                | —               |
| Under(over)provision in prior years                    |                         |                 |
| Hong Kong  | <b>3,043</b>            | (927)           |
| Other jurisdictions                                    | <b>(39)</b>             | —               |
| Deferred taxation                                      |                         |                 |
| For the period   | <b>—</b>                | (1,531)         |
| Effect on change in tax rate                           | <b>—</b>                | 131             |
| Share of tax on results of associates                  | <b>—</b>                | 49              |
| Share of tax on results of jointly controlled entities | <b>12,485</b>           | (725)           |
|  | <b><u>15,907</u></b>    | <u>6,166</u>    |

Hong Kong Profits Tax is calculated at 17.5 per cent (Six months ended 30th June, 2003: 17.5 per cent) on the estimated assessable profit for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

For the six months ended 30th June, 2004

**8. EARNINGS PER SHARE**

The calculation of the basic and diluted earnings per share is based on the following data:

|  | <b>Six months ended<br/>30th June,</b> |               |
|--|--|---------------|
|  | <b>2004</b>                            | 2003          |
|  | <b>HK\$'000</b>                        | HK\$'000      |
| Profit for the period  | <b>28,524</b>                          | 11,825        |
| Dividends on preference share capital  | <b>(50)</b>                            | —             |
|  | <hr/>                                  | <hr/>         |
| Earnings for the purposes of basic earnings per share                                    | <b>28,474</b>                          | 11,825        |
| Effect of dilutive potential ordinary shares:  |  |               |
| Dividends on preference share capital  | <b>50</b>                              | —             |
|  | <hr/>                                  | <hr/>         |
| Earnings for the purposes of diluted earnings per share                                  | <b>28,524</b>                          | 11,825        |
|  | <hr/> <hr/>                            | <hr/> <hr/>   |
| Weighted average number of ordinary shares for the purpose of basic earnings per share   | <b>6,323,278,849</b>                   | 5,987,000,000 |
|  | <hr/> <hr/>                            | <hr/> <hr/>   |
| Effect of dilutive potential ordinary shares:  |  |               |
| Preference share capital   | <b>275,342,466</b>                     |               |
|  | <hr/>                                  |               |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <b>6,598,621,315</b>                   |               |
|  | <hr/> <hr/>                            |               |

The 5,987,000,000 shares issued by the Company to acquire Top Tactic Group as set out in note 2 are deemed to be in issue on 1st January, 2003 for the purpose of computing earnings per share under the reverse acquisition of the Company.

**9. PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group spent HK\$224,000 (six months ended 30th June, 2003: HK\$100,000) on property, plant and equipment.

**10. GOODWILL**

|  | <b>HK\$'000</b>    |
|--|--------------------|
| <b>GROSS AMOUNT</b>  |                    |
| Arising on reverse acquisition of the Company during the period and at 30th June, 2004 | 31,975             |
| <b>AMORTISATION</b>  |                    |
| Provided for the period and balance at 30th June, 2004                                 | <hr/> (355)        |
| <b>CARRYING AMOUNT</b>   |                    |
| At 30th June, 2004   | <hr/> <hr/> 31,620 |

Goodwill arose on the group restructuring as detailed in note 2 and is amortised using the straight line method over its estimated useful life of fifteen years.



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30th June, 2004*

### 11. INVESTMENTS IN SECURITIES

|   | <b>30.6.2004</b>       | 31.12.2003      |
|---|------------------------|-----------------|
|   | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
| Equity securities:                          |                        |                 |
| — Unlisted investment securities, at cost   | <b>28,302</b>          | 28,302          |
| — Listed other investments, at market value | <b>27,260</b>          | 8,622           |
|   | <u><b>55,562</b></u>   | <u>36,924</u>   |
| <br>  |                        |                 |
| Represented by:                             |                        |                 |
| Non-current assets                          | <b>28,302</b>          | 36,924          |
| Current assets                              | <b>27,260</b>          | —               |
|   | <u><b>55,562</b></u>   | <u>36,924</u>   |

### 12. DEBTORS, DEPOSITS AND PREPAYMENTS

|   | <b>30.6.2004</b>       | 31.12.2003      |
|---|------------------------|-----------------|
|   | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
| Trade debtors within 60 days            | <b>35,883</b>          | 73,520          |
| Retentions receivable                   | <b>21,452</b>          | 58,627          |
| Other debtors, deposits and prepayments | <b>15,242</b>          | 27,624          |
|   | <u><b>72,577</b></u>   | <u>159,771</u>  |

The Group allows an average credit period of 60 days to its trade customers. For retention receivables in respect of construction contracts, the due dates are usually one year after the completion of the construction work.

### 13. CREDITORS AND ACCRUED CHARGES

|                                     | <b>30.6.2004</b>       | 31.12.2003      |
|-------------------------------------|------------------------|-----------------|
|                                     | <b><i>HK\$'000</i></b> | <i>HK\$'000</i> |
| Trade creditors (aged analysis):    |                        |                 |
| 0 to 60 days                        | <b>7,187</b>           | 29,802          |
| 61 to 90 days                       | <b>1,352</b>           | 992             |
| Over 90 days                        | <b>4,763</b>           | 5,400           |
|                                     | <u><b>13,302</b></u>   | <u>36,194</u>   |
| Retentions payable                  | <b>24,663</b>          | 25,057          |
| Accrued project costs               | <b>48,919</b>          | 63,343          |
| Other creditors and accrued charges | <b>15,263</b>          | 41,712          |
|                                     | <u><b>102,147</b></u>  | <u>166,306</u>  |

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

For the six months ended 30th June, 2004

**14. ORDINARY SHARE CAPITAL**

|   | <b>Number<br/>of shares</b> | <b>Amount<br/>HK\$'000</b> |
|---|-----------------------------|----------------------------|
| Paid-in capital and balance at 1st January, 2004 ( <i>note a</i> )  | —                           | 7,808                      |
| Eliminated on reverse acquisition of the Company                    | —                           | (7,808)                    |
| Adjustments on reverse acquisition of the Company ( <i>note b</i> ) | <b>6,314,084,941</b>        | <b>63,141</b>              |
| Conversion of preference shares during the period ( <i>note c</i> ) | <b>1,500,000,000</b>        | <b>15,000</b>              |
|   | <hr/>                       | <hr/>                      |
| Balance at 30th June, 2004  | <b><u>7,814,084,941</u></b> | <b><u>78,141</u></b>       |

Notes:

- (a) The share capital as at 1st January, 2004 represents the paid-in capital of the companies comprising Top Tactic Group as at 1st January, 2004.
- (b) Through a capital restructuring as detailed in the Company's circular to the shareholders dated 24th February, 2004, on 23rd April, 2004, the Company
- (i) reduced the share capital from 508,339,764 shares of HK\$0.01 each to 127,084,941 shares of HK\$0.01 each;
  - (ii) issued 5,987,000,000 new shares of HK\$0.01 each of the Company in exchange of the entire equity interest in the Top Tactic Group; and
  - (iii) issued 200,000,000 new shares of HK\$0.01 each of the Company to the former creditors of the Company on 23rd April, 2004 in exchange for the discharge and waiver of all the claims against the Company.
- (c) On 24th April, 2004, the holder of the preference shares converted HK\$15,000,000 of the preference shares in the Company (*note 15*).

**15. PREFERENCE SHARE CAPITAL**

|  | <b>Number<br/>of shares</b> | <b>Amount<br/>HK\$'000</b> |
|--|-----------------------------|----------------------------|
| Issued on 23rd April, 2004   | <b>3,000,000,000</b>        | <b>30,000</b>              |
| Conversion of preference shares into ordinary share<br>on 24th April, 2004 ( <i>note 14(c)</i> ) | <b>(1,500,000,000)</b>      | <b>(15,000)</b>            |
|  | <hr/>                       | <hr/>                      |
| Balance at 30th June, 2004   | <b><u>1,500,000,000</u></b> | <b><u>15,000</u></b>       |

The preference shares shall entitle their holders thereof the right to convert their preference shares into fully-paid ordinary shares of the Company at any time after the date of issuance of the preference shares but before the seventh anniversary of such date at the conversion price of HK\$0.01 per each ordinary share.

Holders of the preference shares shall be entitled to receive dividends at the rate of 2% per annum at its issue price. The holders of the preference shares shall be entitled to receive dividends prior to and in preference to the holders of the ordinary shares.

The holder of each preference shares shall not have any voting rights. The preference shares shall be non-redeemable and will not be listed on any stock exchanges.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30th June, 2004*

### 16. PLEDGE OF ASSETS

As at 30th June, 2004, bank deposits amounting to HK\$29,544,000 (31st December, 2003: HK\$54,494,000) of the Group were pledged to secure the banking facilities granted to the Group and a jointly controlled entity.

### 17. CONTINGENT LIABILITIES

|   | <b>30.6.2004</b>      | 31.12.2003      |
|---|-----------------------|-----------------|
|   | <b>HK\$'000</b>       | <b>HK\$'000</b> |
| Guarantee given to a bank in respect of banking facilities granted to an associate  | <u><b>35,000</b></u>  | <u>285,000</u>  |
| Outstanding tender/performance/retention bonds in respect of construction contracts | <u><b>145,561</b></u> | <u>208,624</u>  |

### 18. RELATED PARTY TRANSACTIONS

|                                  |       | Six months ended<br>30th June, |                 |
|----------------------------------|-------|--------------------------------|-----------------|
|                                  | Notes | 2004                           | 2003            |
|                                  |       | <b>HK\$'000</b>                | <b>HK\$'000</b> |
| <b>Ultimate holding company</b>  |       |                                |                 |
| Corporate guarantee provided     |       | <u><b>222,006</b></u>          | <u>187,076</u>  |
| <b>Immediate holding company</b> |       |                                |                 |
| Corporate guarantee fee          | (a)   | <u><b>2,910</b></u>            | 3,050           |
| Management fee paid              | (b)   | <u><b>823</b></u>              | <u>1,689</u>    |
| <b>Fellow subsidiaries</b>       |       |                                |                 |
| Purchase of goods                | (b)   | <u><b>—</b></u>                | <u>3,104</u>    |
| <b>Associate</b>                 |       |                                |                 |
| Consultancy fee paid             | (b)   | <u><b>—</b></u>                | 5,802           |
| Interest income                  | (c)   | <u><b>—</b></u>                | <u>1,313</u>    |

*Notes:*

- (a) As disclosed in the circular dated 4th June, 2004 issued by the ultimate holding company to the shareholders, these transactions have been continuing after the restructuring as detailed in note 2. Corporate guarantee fee was charged in accordance with respective agreements entered between the Company and the ultimate holding company.
- (b) The transactions were charged at the terms determined and agreed by both parties.
- (c) Interest income for the six months ended 30th June, 2003 was calculated at HIBOR as quoted by a financial institution.

In addition to above, the Group has interest in a jointly controlled entity for the construction of Zhejiang Shenjiawan — Zhongmentong (the "JCE"). The JCE is an unincorporated jointly controlled entity operating in the PRC, with 50% attributable interests held by a wholly owned subsidiary of the Company and the remaining attributable interests held by two wholly-owned subsidiaries of Wai Kee.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

For the six months ended 30th June, 2004

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

At 30th June, 2003, certain listed shares of Road King Infrastructure Limited, an associate of the ultimate holding company held by fellow subsidiaries were pledged to secure the banking and other facilities granted to the Group. The pledge was released during the period.

**19. ADDITIONAL INFORMATION**

The following financial information of the Company is not comparable to the basis of preparation as set out in note 2 and is for the compliance of the Rules Governing the Listing of Securities on the Stock Exchange only.

**(a) Condensed consolidated income statement for the six months ended 30th September, 2003**

|                                     | <i>Notes</i> | <i>HK\$'000</i><br><i>(Unaudited)</i> |
|-------------------------------------|--------------|---------------------------------------|
| Turnover                            | <i>i</i>     | 359                                   |
| Direct operating expenses           |              | (455)                                 |
| Other operating income              |              | 427                                   |
| Selling and administrative expenses |              | <u>(353)</u>                          |
| Loss from operations                | <i>ii</i>    | (22)                                  |
| Finance costs                       |              | <u>(15,801)</u>                       |
| Loss before taxation                |              | (15,823)                              |
| Taxation                            | <i>iii</i>   | <u>—</u>                              |
| Net loss for the period             |              | <u><u>(15,823)</u></u>                |
| Loss per share — basic              | <i>iv</i>    | <u><u>(3.11 cents)</u></u>            |

*Notes:*

- (i) All the Group's turnover and contributed to results from operations are attributable to the hiring of motor vehicles in Hong Kong.
- (ii) Loss for operations has been arrived at after charging (crediting):

|  | <i>HK\$'000</i> |
|--|-----------------|
| Depreciation and amortisation of property, plant and equipment | 211             |
| Gain on disposal of property, plant and equipment              | <u>(427)</u>    |

- (iii) No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Company and its subsidiaries did not have any estimated assessable profits for both periods.
- (iv) The calculation of the basic loss per share is based on the loss for the period of HK\$15,823,000 and on 508,339,764 shares in issue during the period.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

*For the six months ended 30th June, 2004*

### 19. ADDITIONAL INFORMATION *(Continued)*

**(b) Condensed consolidated statement of changes in equity for the six months ended 30th September, 2003**

|                               | Share<br>capital<br><i>HK\$'000</i> | Capital<br>redemption<br>reserve<br><i>HK\$'000</i> | Special<br>reserve<br><i>HK\$'000</i> | Capital<br>reserve<br><i>HK\$'000</i> | Asset<br>revaluation<br>reserve<br><i>HK\$'000</i> | Translation<br>reserve<br><i>HK\$'000</i> | Deficit<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|-------------------------------|-------------------------------------|---|---------------------------------------|---------------------------------------|--|---|----------------------------|--------------------------|
| At 1st April,<br>2003         | 5,083                               | 115   | 168,788                               | 54,605                                | 223,734  | (454)                                     | (1,133,264)                | (681,393)                |
| Net loss for<br>the period    | —                                   | —   | —                                     | —                                     | —  | —   | (15,823)                   | (15,823)                 |
| At 30th<br>September,<br>2003 | <u>5,083</u>                        | <u>115</u>  | <u>168,788</u>                        | <u>54,605</u>                         | <u>223,734</u>                                     | <u>(454)</u>                              | <u>(1,149,087)</u>         | <u>(697,216)</u>         |

**(c) Condensed consolidated cash flow statement for the six months ended 30th September, 2003**

|  | <i>HK\$'000</i><br><i>(Unaudited)</i> |
|--|---------------------------------------|
| Net cash used in operating activities  | (181)                                 |
| Net cash from investing activities   | 774                                   |
| Net cash used in financing activities  | <u>(74)</u>                           |
| Increase in cash and cash equivalents  | 519                                   |
| Cash and cash equivalents at beginning<br>of the period                                  | <u>931</u>                            |
| Cash and cash equivalents at end of the period,<br>represented by bank balances and cash | <u><u>1,450</u></u>                   |

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

For the six months ended 30th June, 2004

**19. ADDITIONAL INFORMATION (Continued)****(d) Consolidated balance sheet at 31st March, 2004**

|                                    | <i>HK\$'000</i>  |
|------------------------------------|------------------|
| Non-current assets                 |                  |
| Property, plant and equipment      | 4,980            |
| Current assets                     |                  |
| Short-term receivables             | 6,483            |
| Trade and other receivables        | 2,885            |
| Amounts due from former associates | 31               |
| Bank balances and cash             | 1,021            |
|                                    | <u>10,420</u>    |
| Current liabilities                |                  |
| Other payables                     | 172,865          |
| Amounts due to former associates   | 10,350           |
| Amounts due to former directors    | 7,663            |
| Taxation payable                   | 1,142            |
| Bank and other borrowings          | 552,613          |
|                                    | <u>744,633</u>   |
| Net current liabilities            | <u>(734,213)</u> |
|                                    | <u>(729,233)</u> |
| Capital and reserves               |                  |
| Share capital                      | 5,083            |
| Reserves                           | (734,316)        |
|                                    | <u>(729,233)</u> |

*Note:* Aged analyses on trade and other receivables and trade and other payables are not presented in the audited financial statements of the Company for the year ended 31st March, 2004.

The condensed consolidated income statement, condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement of the Company for the six months ended 30th September, 2003 are extracted from the unaudited financial statements of the Company for the six months ended 30th September, 2003 of which the auditors of the Company were unable to reach a review conclusion as to whether material modifications should be made to the interim financial report for the six months ended 30th September, 2003. Details of the independent review report on the 2003 interim financial report dated 29th January, 2004 were set out on pages 8 to 11 of the Company's Interim Report 2003.

The consolidated balance sheet of the Company at 31st March, 2004 is extracted from the Company's audited financial statements for the year ended 31st March, 2004 of which the auditors of the Company were unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st March, 2004. Details of the auditors' report dated 19th May, 2004 were set out on pages 16 to 20 of the Company's Annual Report March 2004.

## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Zen Wei Peu, Derek (*Chairman*)  
Yu Sai Yen (*Vice Chairman*)

### NON-EXECUTIVE DIRECTORS

David Howard Gem  
Cheng Chi Pang, Leslie

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Chow Ming Kuen, Joseph  
Ng Chi Ming, James

### AUDIT COMMITTEE

Ng Chi Ming, James (*Chairman*)  
Chow Ming Kuen, Joseph

### AUDITORS

Deloitte Touche Tohmatsu

### SOLICITORS

Richards Butler  
Conyers, Dill & Pearman

### COMPANY SECRETARY

Fong Shiu Leung, Keter

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM CX  
Bermuda

### PRINCIPAL PLACE OF BUSINESS

Units 1001-1015  
10th Floor, Tower 1  
Grand Central Plaza  
138 Shatin Rural Committee Road  
Shatin  
New Territories  
Hong Kong

### PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited  
65 Front Street,  
Hamilton,  
Bermuda

### HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Progressive Registration Limited  
G/F., Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong